
Financial Sector Supervision and Regulation: Getting Systems to Work

**United States Agency for International Development
SEGIR – Financial Services
Review and Evaluation**

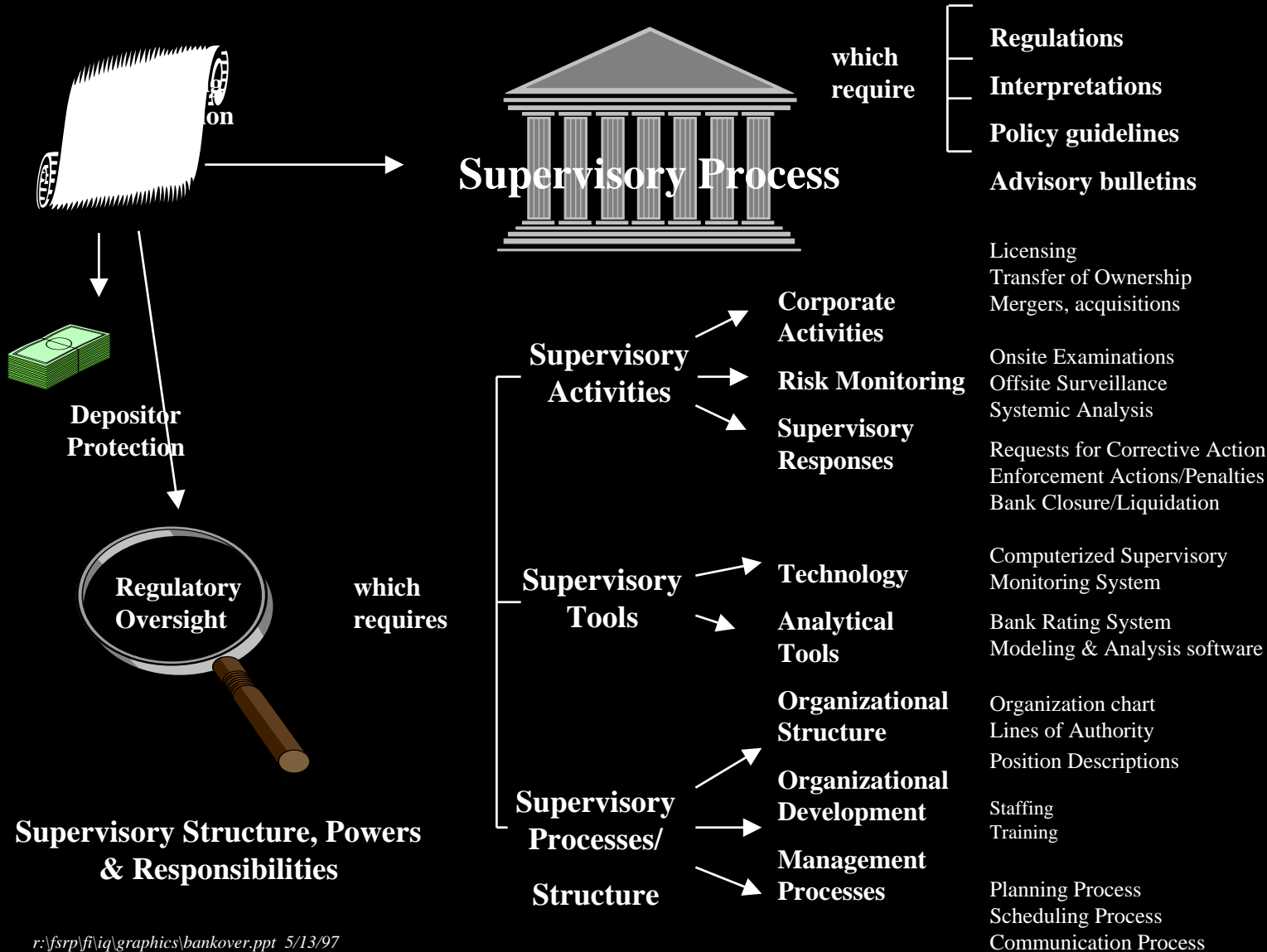
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Why is Supervision of the Financial Sector Necessary?



- Role banks play in the economy
- Need for public confidence
- Protection of depositors
- Systemic stability
- Promoting competition, fairness and efficiency

Components of Supervision



Central Financial Sector Issues-- Challenges



- ❑ Legal framework not adequate and necessary powers not provided to regulatory agencies
- ❑ Compliance culture
- ❑ Human constraints
- ❑ Inadequate processes and organizational structures
- ❑ Antiquated information systems
- ❑ Insufficient understanding of financial sector, services, competition

Sustainable capacity building---

Through institutionalization of a banking supervisory culture

- **Public, industry and political acceptance**
- **Independence and adequate organizational structure**
- **Availability of accurate information and information systems/technology**
- **Skilled personnel**
- **Appropriate laws, rules and judicial framework**

Lessons Learned—What works?



- International ‘Best Practice’ are guide but no one model to success
- Must obtain counterpart trust and ‘buy-in’
- Strengthening the financial sector is a long-term endeavor
- Bank supervision can not be done in a vacuum—impacts political, social, and economic platforms
- Successful programs help strengthen both the supervisory agency and the financial sector simultaneously

Lessons Learned—What works?



Poland— trust, long-term relationships

Serbia— U.S. Study tours

Bosnia— Joint working groups; IFI collaboration

El Salvador and Ecuador— Counterpart buy-in and input

Moldova— Ownership of assistance-Offsite Surveillance

Uganda— Coordination of other donors

West Bank/Gaza-- Ability to adapt to changing environment

Impact -- Future Suggestions



Programs must be designed to allow for the cultural change that is necessary to take place—long-term effort

Ability to measure successes is not always immediately apparent

Experiences gained through USAID bank supervision programs around the globe should be used to ‘jump-start’ supervision of other financial sector players (i.e., NBFIs, insurance companies, pension, etc.)